

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

OPPORTUNITIES FOR PUBLIC POWER IN ENERGY EFFICIENCY

SUMMARY BY: (Updated 4/7/2009)

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1) Introduction

The American Recovery and Reinvestment Act of 2009 (ARRA), signed by the President on February 17, 2009, provides billions of dollars of new funding for energy efficiency and smart grid programs. Public power has an historic opportunity to expand programs in the energy efficiency area. In general, funds are to be obligated by 9/30/2010 and spent within 3 years.

The key contact at the Department of Energy in charge of stimulus is Matt Rogers. The key contact within the Energy Efficiency and Renewable Energy Office at DOE is Gil Sperling.

2) State Energy Program

\$3.1 billion is provided for the State Energy Program (SEP). In federal fiscal year 2008, this program received \$44 million. Funds are provided to the state energy offices under Part D of Title III of the Energy Policy and Conservation Act (42 U.S.C. 6321-6325). As the underlying statute makes clear, this funding can be used for a wide variety of programs, projects and policies, including, but not limited to, energy efficiency, renewable energy, alternative transportation programs, etc. Funding is conditioned on Governors sending letters to Energy Secretary Chu regarding utility regulatory policies on energy efficiency and upgrading of building energy efficiency codes (as of this writing 15 states have already provided these letters). In addition, ARRA waived a 20% cost share for the states and also waived a regulatory provision that had limited capital investments to 50% of SEP funds. Additional guidance is being drafted by the Department of Energy (DOE) and should be released very soon. At DOE this program is operated by the Office of Weatherization and Intergovernmental Programs (OWIP) within the Office of Energy Efficiency and Renewable Energy (EERE). Funds will be distributed to the states in accordance with a formula. Names of the state energy directors in your state can be obtained from the web site of the National Association of State Energy Officials (www.naseo.org).

DOE Funding Opportunity Notice (DE-FOA-0000052)(Issued 3/12/09 (amended 3/19/09); initial state applications due 3/23/09 and comprehensive applications due 5/12/09) [\$3.1 billion](Operated by Department of Energy, Energy Efficiency and Renewable Energy Office) – Funds are distributed based upon performance – virtually all states, territories and DC have submitted Governors’ assurance letters as of 4/7/09 (Governor of Alaska has turned down energy money).

3) Energy Efficiency and Conservation Block Grant

The Energy Efficiency and Conservation Block Grant (EECBG) was authorized under Title V (Sections 541-548) of the Energy Independence and Security Act of 2007 (EISA). The primary purpose of the underlying statutory provision is to improve energy efficiency. **\$3.2 billion** is provided for this program in the stimulus bill. This program has not been funded previously. \$400 million of the \$3.2 billion will be distributed through a competitive program among state, local and tribal entities. It appears that cooperative/coordinated proposals will be encouraged. Of the \$2.8 billion remaining, 68% will be distributed through a formula from DOE directly to over 1700 of the larger cities in the United States. 16% of the funds will be distributed through the states to counties of under 200,000 and towns of under 35,000. It will be up to the states to develop a distribution mechanism, but it must be distributed by the states within 6 months of approval of a plan by DOE. 12% of the funds will go directly to the state energy offices for SEP (see note above). 2% of the funds under EISA are for a competitive program and will probably be added to the \$400 million set aside for competitive activities, noted above. 2% of the funds will be available to tribes. As noted above, this program is also operated by OWIP within EERE. APPA members can be especially helpful in implementing these programs, since most communities who are not municipal utilities do not have an energy delivery infrastructure in place. You should contact the state energy office in your state for more information, as well as coordinate with your statewide Mayors’ group.

DOE Funding Opportunity (DE-FOA-0000013) (Issued 3/26/09) state applications due 5/26/09; local government and tribal applications due 6/25/09; Notice issued yet – expected prior to 4/1/09 [\$3.2 billion](Operated by Department of Energy, Energy Efficiency and Renewable Energy Office) – 68% of Funds directly to over 1700 largest cities and counties; 16% through states to towns under 35,000 and counties under 200,000 and states must distribute within 6 months of plan approval; 12% to states; and \$400 million competitive (no announcement yet for competitive).

4) Weatherization Assistance Program

This program has operated since the 1970s and is distributed through the states and delivered mostly by community action agencies and some local governments or other local agencies (42 U.S.C. 6861-6873). ARRA provides **\$5 billion** for this program,

which received \$227 million in federal fiscal year 2008. During the campaign the President promised to weatherize 1 million homes each year. The program presently weatherizes 150,000 homes each year. Two major statutory modifications were made in ARRA to improve program delivery: 1) the amount that can be spent on each home increased from \$2,500 to \$6,500, to allow more comprehensive energy efficiency measures to be implemented; and 2) eligibility was increased to 200% of poverty from 150% of poverty. There is a statutory preference for community action agencies to serve as delivery agents for this program, though in order to expand the program there is an expectation that local governments will have to coordinate with these agencies or deliver the expanded services themselves. The National Association for Community Services Programs (NASPCSP) is the association that coordinates the state-level program managers and the community action agencies are represented by the National Community Action Foundation. This is also a significant opportunity for public power.

DOE Funding Opportunity Notice (DE-FOA-0000051)(Issued 3/12/09; initial state applications due 3/23/09 and comprehensive applications due 5/12/09)[\$5 billion](Operated by Department of Energy, Energy Efficiency and Renewable Energy Office) – Funds are distributed based upon performance [<http://www.waptac.org>]

5) Energy Star appliance rebates program

ARRA provides **\$300 million** to the state energy offices to operate a program to provide rebates to encourage consumers to purchase Energy Star appliances. This program requires a 50% match. It was enacted as Section 124 of the Energy Policy Act of 2005. DOE is preparing guidance on this program, though it is likely to be distributed through SEP, so long as the state has (or will have) an appliance rebate program in place. It is likely that the guidance will limit the products that are eligible for rebates to the most efficient products. This program has not previously received any funding. Again, APPA members should contact their state energy offices.

No Funding Opportunity Notice issued yet [\$300 million](Operated by Department of Energy, Energy Efficiency and Renewable Energy Office)

6) Smart Grid

Title XIII of EISA authorizes a program to promote investments in the so-called “smart grid.” It is envisioned as a program directed to the distribution and customer-side of the meter. It is expected to include advanced metering and demand response equipment, as well as other measures. This program will be operated by the DOE Office of Electricity Delivery and Energy Reliability. ARRA provides **\$4.4 billion** for this program. Funding is open to utilities (including public power, cooperatives and investor-owned utilities) and “other parties” involved in smart grid development. On March 3, 2009, DOE issued an Intent to Issue Funding Opportunity on Smart Grid Demonstrations (pursuant to Section 1304 of EISA), with a 50% cost-share requirement, including regional demonstrations,

utility scale energy storage demonstrations, etc. The next solicitation should govern Section 1306 of EISA and is likely to include smart-grid-enabled T&D infrastructure, metering and control devices, software, etc. An additional **\$100 million** has been allocated through this office for “Green Jobs” initiatives.

Preliminary Notice issued on 3/2/09 (DE-FOA-0000036, for regional demonstrations, utility scale storage demonstrations and synchrophasor demonstrations – Section 1304 - EISA), but no Funding Opportunity Notice issued yet – expected prior to 4/17/09, with 30 day comment period and actual responses to solicitation no earlier than mid-June, 2009; Separate announcement for advanced metering and demand response equipment – Section 1306 - EISA [\$4.4 billion](Operated by Department of Energy, Office of Electricity Delivery and Energy Reliability)

7) Energy RDD&D

\$2.5 billion is provided to the Energy Efficiency and Renewable Energy Division for Research, Development, Demonstration and Deployment programs, including \$800 million for biomass and \$400 million for geothermal. DOE is in the process of allocating funds for a variety of other uses, including, for example, industrial energy efficiency programs. This is a potential source of matching funds.

- a) \$800 million for Biomass through DOE, Energy Efficiency and Renewable Energy Office
- b) \$400 million for Geothermal through DOE, Energy Efficiency and Renewable Energy Office
- c) \$256 million for Industrial programs through DOE, Energy Efficiency and Renewable Energy Office [Funding designated for combined heat and power (\$106 million), district energy systems, waste energy recovery, efficient industrial equipment and “Save Energy Now”](preference will be given to projects that can “initiate implementation” within 120 days)
- d) Remainder of \$2.5 billion unallocated

8) Green Jobs

Sections 1001 and 1002 of EISA created a new “Green Jobs” initiative to be operated by the Department of Labor. This is funded at **\$500 million** in the stimulus package. The \$500 million is to be spent on initiating a worker training program for energy efficiency and renewable energy. Separate national energy training partnerships and state energy training partnerships are to be created. As noted above, \$100 million is also provided for worker training under the Smart Grid initiative.

- a) \$100 million through Department of Energy, Office of Electricity Delivery and Energy Reliability, and associated with “Smart Grid” (no announcement yet)
- b) \$500 million through the Department of Labor

c) Up to \$1 billion for Training and Technical Assistance associated with the Weatherization Assistance Program

9) HUD Assisted Housing

\$2.25 billion is provided for the HOME Investment Partnerships Program at HUD. These funds are provided to state housing finance agencies for low-income housing though the program encourages funding for energy efficient and environmentally friendly designs. \$250 million is provided for energy retrofit and green investments for certain kinds of low-income housing (Section 202 of the Housing Act of 1959, Section 811 of the Cranston-Gonzalez National Affordable Housing Act and Section 8 of the Housing Act of 1937), along with \$2.25 billion more generally for project-based rental assistance. \$1 billion is provided for the Public Housing Capital Fund for competitive grants, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.

10) Clean Cities and Plug-in Electric Vehicles

\$300 million is provided to states, local governments and metropolitan transportation agencies for up to 30 geographically dispersed vehicle demonstrations, known as the Clean Cities Program. This program has been funded previously at much lower levels and supports alternative fuel vehicles, neighborhood electric vehicles, fuel cell vehicles, ultra low sulfur diesel vehicles, acquisition and installation of fueling infrastructure, etc., with a 50% cost share. Applications are due on March 31, 2009 (solicitation was issued on February 20, 2009). **\$400 million** is also provided for transportation electrification for local, metropolitan transportation agencies and state grants for qualified electric transportation projects. This program can be used for truck stop electrification and other measures.

DOE Funding Opportunity Notice (DE-PS26-09NT01236-04)(Initial state/local consortium applications due 5/29/09 – Area of Interest 4)[\$300 million](Operated by Department of Energy, Energy Efficiency and Renewable Energy Office)

DOE Funding Opportunity Notice (DE-FOA-0000026)(Issued 3/19/09)(Application Due Date – 5/13/09)(Grants to establish development, demonstration, evaluation and education projects to accelerate market introduction of advanced electric drive vehicles, especially including plug-in hybrid cars \$400 million for transportation electrification for local metropolitan transportation agencies and state grants; \$1.5 billion for battery development for hybrids and \$500 million for other components, such as electric motors, etc.(DE-FOA-0000028)(Issued 3/19/09, closing date 5/13/09).

11) Schools

No specific funding was provided for energy efficiency in schools, though there is general language suggesting that schools should be modernized “consistent with a recognized green building rating system.” Earlier versions of the stimulus bill would have provided between \$1 billion and \$1.6 billion for municipal buildings, schools, etc., for energy efficiency retrofits.

12) Federal Buildings

\$4.5 billion is provided to the General Services Administration for high performance green buildings. \$3.24 billion is provided to the Department of Defense to “repair and modernize facilities, restore and modernize real property and invest in the energy efficiency of facilities.” \$1 billion is provided to the Veterans Administration for “non-recurring maintenance including energy projects.” \$220 million is provided for military construction energy projects. To the extent you have any federal facilities in your service area, you may be able to work with those agencies on these projects. OMB suggested that \$24.2 billion will ultimately be invested in federal infrastructure that has an energy component.

13) Taxes

There are a number of tax provisions included in the stimulus package, but we will only discuss a few provisions. The existing homes energy efficiency tax credit (Section 1121 of ARRA) is changed from 10% to 30%, with a cap of \$1,500. This could be a major marketing opportunity for public power with consumers. In addition, the Clean Renewable Energy Bonds were increased to \$2.4 billion, with 1/3 for qualified projects for public power providers (Section 1111 of ARRA). Qualified Energy Conservation Bonds (Section 1112 of ARRA) are increased to \$3.2 billion. Credits for plug-in electric drive motor vehicles (Section 1141-44 of ARRA) includes 10% (up to \$2,500) for low-speed vehicles, a 10% credit (up to \$4,000) for plug-in vehicle conversions using battery modules up to 4 kWh, and caps the credit at \$7,500.

14) Federal Loan Guarantees

DOE has over \$42 billion, much of it since 2006. First announcement on 3/20/09 of a \$535 million loan for a solar energy development plant (Solyndra, Inc.); indications are that the process will speed up.